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January 14, 2016

Ex Parte

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Special Access for Price Cap Local Exchange Carriers, WC Docket No. 05-25 and RM-10593

Dear Ms. Dortch:

On Tuesday, January 12, Fred Moacdieh, Curtis Groves, and I, all of Verizon, met with Deena Shetler, Eric Ralph, Pam Arluk, David Zesiger, William Layton, William Kehoe, Christopher Koves, Virginia Metallo, Thom Parisi, Joe Price, and Shane Taylor of the Wireline Competition Bureau to discuss how other providers, including notably the incumbent cable companies, are competing to meet business customers' demands for business broadband services. Cable providers are already leaders in providing Ethernet services and are aggressively marketing their services to compete with legacy special access services. We explained that cable companies have extended their increasingly dominant residential broadband networks first to serve small and medium businesses, and more recently to target large businesses and other carriers such as wireless providers.

Cable companies are now "a disruptive wild card" in the marketplace.¹ One example of this disruptive force is Comcast's September 2015 formation of a new business unit to provide enterprise broadband services to Fortune 1000 enterprise customers²—a development the 2013 data could not have included. Comcast made this decision after reporting "continued growth in

¹ Matt Davis, IDC, *Market Analysis: U.S. SMB Telecom Voice and Data Services, 2014-2018 Forecast*, at 6 tbl. 2 (May 2014).

² Comcast Business Press Release, *Comcast Business Announces New Unit Targeting Fortune 1000 Enterprises* (Sept. 16, 2015), <http://corporate.comcast.com/news-information/news-feed/comcast-business-announces-new-unit-targeting-fortune-1000-enterprises>.

the number of customers receiving [its] Ethernet network and cellular backhaul services”³ and growth in revenues at the highest levels in its history.”⁴

As it considers competition related to special access services, the Commission must determine where competition from cable or other providers is possible. For cable, this means taking into account cable’s advantages resulting from its ubiquitous broadband networks, the enterprise facilities it has deployed to date, and rising demand that increase the available revenue opportunities. Comcast’s announcements spotlight the need for a forward-looking approach that takes into account all sources of both actual and potential competition.⁵

We presented the attached declaration of Arthur Menko, a consultant who used current, publicly available data to analyze the extent to which business customers have access to business broadband services from cable providers over their existing infrastructure. In five Core-Based Statistical Area markets in which Verizon is regulated as an incumbent LEC, Mr. Menko determined cable is capable of providing business broadband services to at least 77.1% of businesses.⁶ Mr. Menko describes in his declaration why this is a conservative estimate,⁷ and that in reality a cable provider can provide business broadband services throughout an area in which it has deployed DOCSIS 3.0.⁸

Sincerely,



Attachment

cc:	Deena Shetler	Eric Ralph	Pam Arluk
	David Zesiger	William Layton	William Kehoe
	Christopher Koves	Virginia Metallo	Thom Parisi
	Joe Price	Shane Taylor	

³ Comcast Corp., Form 10-K, at 59 (SEC filed Feb. 27, 2015).

⁴ Thomson Reuters StreetEvents, *Edited Transcript: CMCSA – Q1 2015 Comcast Corp Earnings Call*, at 6 (May 4, 2015) (statement by Comcast Corporation Vice Chairman and CFO Michael Angelakis); Comcast, *1st Quarter 2015 Results*, at 5 (May 4, 2015).

⁵ See *Special Access for Price Cap Local Exchange Carriers*, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 16318, ¶ 69 n.152 (2012) (recognizing that analysis “must take account of both actual and potential competition, as well as sources of intramodal and intermodal competition.”).

⁶ See Attachment A, Declaration of Arthur Menko ¶ 14.

⁷ See *id.*, ¶¶ 7-8.

⁸ See *id.* ¶ 8.

ATTACHMENT A

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Special Access for Price Cap Local Exchange Carriers)	WC Docket No. 05-25
)	
AT&T Corporation Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services)	RM-10593
)	
)	

DECLARATION OF ARTHUR MENKO

1. My name is Arthur Menko. I am the President of Business Planning, Inc. (BPI), a consulting firm that since 1985 has performed competitive market research, economic, network reliability, and financial analysis for the telecommunications industry. I am a telecommunications industry analyst specializing in business and residential market research on voice and data services for national and local markets using diverse public, proprietary, and survey sources of information. Before founding BPI, I served as Senior Economist at Chase Econometrics in Bala Cynwyd, Pennsylvania, from 1983 to 1984, and as a forecast manager at New York Telephone from 1978 to 1983. I received a Bachelor of Arts degree from Lehigh University in 1976 and a Masters of Business Administration from New York University in 1978. BPI's business address is 327 Rosemary Lane, Narberth, Pennsylvania.

2. Verizon has asked me to measure the extent to which business customers have access to business broadband services¹ from cable providers over existing infrastructure in five

¹ Business broadband services include services that are marketed and purchased as competitive alternatives to special access services.

Core-Based Statistical Area (“CBSA”) markets. I chose to analyze CBSAs² because they represent geographic areas delineated and used by Federal agencies that include an urban core and its surrounding areas with a high degree of economic and social integration. Census Blocks are the most granular level of census geographies and are the building blocks that fit into the geographic hierarchy of counties and CBSAs.

3. For this study, I analyzed the following CBSA markets in which Verizon is regulated as an incumbent LEC: Boston-Cambridge-Newton (Boston), Philadelphia-Camden-Wilmington (Philadelphia), Albany-Schenectady-Troy (Albany), Washington-Arlington-Alexandria (Washington DC) and Virginia Beach-Norfolk-Newport News (Virginia Beach). I discuss below the information sources, methodologies, and approach I used in my findings.

I. Sources, Methodology, and Approach

4. Data Over Cable Service Interface Specification, or “DOCSIS,” is a technology that enables cable providers to offer broadband services over their existing hybrid fiber-coaxial infrastructure. Released in 2006, the DOCSIS 3.0 technical standard enables significantly higher transmission bandwidth than earlier DOCSIS releases and permits cable providers to offer high-speed business broadband services using their existing hybrid fiber-coaxial facilities.

5. I used a multi-step approach to determine whether cable companies were not only capable of providing but also actively offering business broadband services to businesses. First, I conducted this analysis on a census-block level. I chose census blocks because they are relatively small geographically and granular, with an average of 4.8 businesses in the census

² CBSAs include metropolitan and micropolitan statistical areas delineated by the Office of Management and Budgets (OMB). Metropolitan areas contain an urban core area of 50,000 or more population and micropolitan areas with a core area of at least 10,000, but less than 50,000 population. Each CBSA consists of one or more counties with a core urban area that may be linked with adjacent economically integrated counties (as measured by commuting to work) with that urban core.

blocks with businesses in the five CBSA areas I analyzed. Second, I looked at whether the cable providers have deployed DOCSIS 3.0 in each census block. Third, I determined in which census blocks the cable provider is providing voice service to at least one business customer.

6. If a cable company is both DOCSIS 3.0-enabled and is providing voice service to a business customer in a Census Block, I used that as a proxy to demonstrate that business customers have access to business broadband services from that cable provider throughout the Census Block.

7. This is a conservative approach, because it only picks up areas where cable companies provide voice service to a business customer. Cable operators also provide non-voice services like data and video over DOCSIS 3.0 facilities to business customers that do not use their voice service. Typically, cable providers serve more commercial data customers than voice customers. We know from Quarterly Earnings Reports, for example, that for every Charter commercial voice customer, there are 1.67 commercial internet subscribers.³ Likewise for every Time Warner Cable business services voice subscriber there are 1.74 business high-speed data subscribers.⁴ But the publicly available sources I used for this analysis do not capture those non-voice customers.

8. DOCSIS 3.0 enables high-speed broadband services, and in reality, a cable provider is *capable* of providing business broadband services throughout an area where it has deployed DOCSIS 3.0. But my conservative analysis is limited to areas where I could determine

³ Charter Communications, *Second Quarter 2015 Earnings Release* at 2 (August 4, 2015), [http://phx.corporate-ir.net/phoenix.zhtml?c=112298&p=irol-newsArticle&ID=2075369&highlight=Earnings results for 2Q2015](http://phx.corporate-ir.net/phoenix.zhtml?c=112298&p=irol-newsArticle&ID=2075369&highlight=Earnings%20results%20for%202Q2015) indicate that Charter had 200,000 voice and 333,000 internet commercial customer relationships.

⁴ Time Warner Cable, *Second-Quarter 2015 Earnings Summary*, at 6 (July 30, 2015), <http://ir.timewarnercable.com/files/2015/2Q15/Earnings-Summary-Presentation-2Q15-FINAL.pdf>. Earnings Results for 2Q 2015 indicate that Time Warner Cable has 349,000 voice and 608,000 internet business customer relationships.

from the publicly available sources where business customers have subscribed to voice services from cable providers.

9. For the five CBSA markets I chose, I acquired the August 2015 InfoUSA business list.⁵ This list provides addresses and phone numbers for every available business with a street address in the five selected CBSA markets. I excluded from the study businesses that operated in areas of the CBSAs where Verizon is not regulated as an incumbent LEC.

10. I passed each of the business phone numbers found in these CBSA markets through up-to-date (September 25, 2015) LNP (Local Number Portability) and current LERG (Local Exchange Routing Guide) databases to determine the voice provider of record. I then aggregated each business by its Census Block location, using geo-coding according to street addresses.

11. I then determined if cable has deployed DOCSIS 3.0 technology. For this, I used the current (6/30/2014) National Broadband Map. To ensure I included only cable facilities capable of providing business broadband services, I included only cable companies that exclusively deployed DOCSIS 3.0 technology in a CBSA. Therefore, in the Washington DC, Philadelphia and Boston CBSA markets I did not include RCN's business subscribers, because RCN maintains both DOCSIS 3.0 and other broadband technologies.

12. If I found a cable provider had deployed DOCSIS 3.0 in a Census Block and had an active voice subscriber for at least one business in that Census Block, I concluded that the cable operator is capable of serving all business locations in that Census Block. So for example in the Washington DC CBSA, where Comcast and Cox provide DOCSIS 3.0 service with maximum advertised download speeds between 100 Mbps and 1 Gbps in every Census Block

⁵ InfoUSA is a third-party database containing comprehensive business listings widely utilized for commercial purposes.

they serve, I included all the businesses in the Census Blocks where there are indications of cable business voice subscribers, as I describe below. And because Census Blocks are so small geographically, I safely assumed business customers throughout those Census Blocks have access to business broadband services from cable providers.

13. To calculate the percentage of businesses that have access to cable business broadband services in a CBSA, I first summed all of the businesses found in Census Blocks that have commercial cable voice subscribers in that CBSA and then divided that by the total number of businesses found in Verizon's portion of the CBSA.

II. Findings

14. Using this methodology, I determined cable is capable of providing business broadband services to at least 77.1% of businesses across the five CBSA markets.

15. Based on this methodology, in the Albany CBSA, cable is capable of providing business broadband services to at least 76.9% of businesses in the CBSA (Time Warner Cable).

16. Similarly, in the Boston CBSA, cable is capable of providing business broadband services to at least 79.7% of businesses in the CBSA (Comcast and Charter).

17. In the Philadelphia CBSA, cable is capable of providing business broadband services to at least 73.9% of businesses in the CBSA (Comcast, Armstrong Holdings and Service Electric).

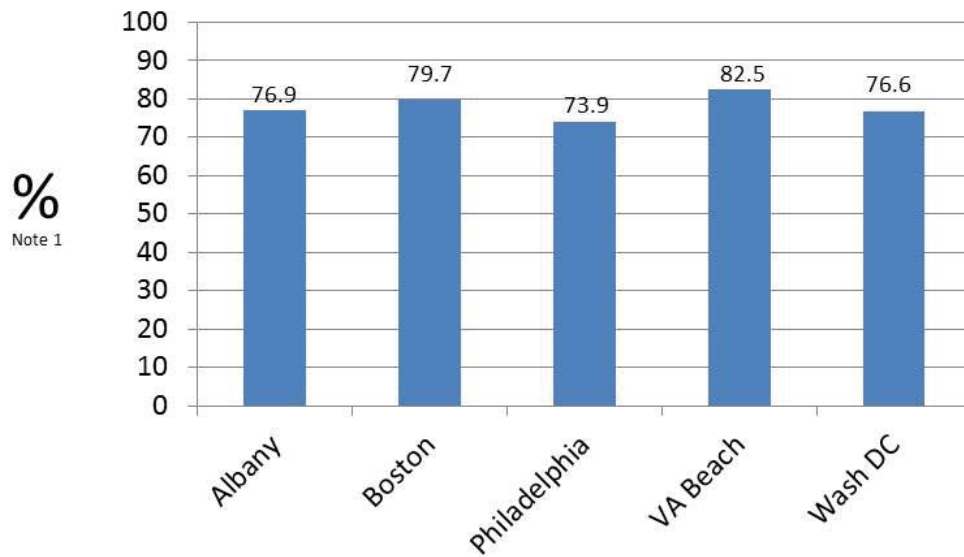
18. In the Virginia Beach CBSA, cable is capable of providing business broadband services to at least 82.5% of businesses in the CBSA (Cox and Charter).

19. In the Washington DC CBSA, cable is capable of providing business broadband services to at least 76.6% of businesses in the CBSA (Comcast and Cox).

Summary of Results by CBSA

CBSA	Percentage
Total - All Five CBSA Markets	77.1%
Albany CBSA	76.9%
Boston CBSA	79.7%
Philadelphia CBSA	73.9%
Virginia Beach CBSA	82.5%
Washington DC CBSA	76.6%

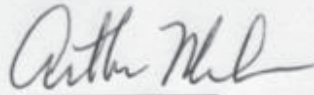
Availability of Cable Business Services



¹The percentage of businesses that have access to cable business broadband services.

VERIFICATION PAGE

I hereby swear under penalty of perjury that the foregoing is true and correct.

A handwritten signature in cursive script, appearing to read 'Arthur Menko', written in black ink.

Arthur Menko

Dated: December 18, 2015